DOI Think Tank tackles the problem of the Uninsured

The Uninsured in Utah

Recent surveys conducted by the Utah Health Department and the Utah Health Insurers Association estimate Utah's uninsured rate at about 9 percent (Office of Public Health Assessment, 2001; Dan Jones & Associates, 2001). Nationally, the uninsured rate is on the rise in many states. This rise appears to be due to a decline in the number of people covered by employer-based health benefits, the primary source of health care coverage in the United States (Mills, 2002).

Being uninsured has significant impacts on individuals and families, as well as society as a whole. Research studies on the uninsured (see American College of Physicians, 2000 for a review) have found that being uninsured has clear negative effects on the health and wellbeing of children and families. Those without insurance often delay or forgo needed care. This often results in poor health due to failure to prevent treatable conditions or the development serious illnesses. Those that do seek care may often have poorer outcomes (e.g., higher mortality rates) and may require more expense and extensive treatment (e.g., emergency room care, avoidable hospitalizations) than those with insurance. JPO note – there is also a societal cost, as some individuals die rather than using more expense. These will be more expensive when benefits are available, but the cost to society (productivity and the like) will be lessened.

This pattern results in higher rates of uncompensated care for health care providers due to charity care and bad debt. Uncompensated care increases the costs for the entire health care system. Health care providers, often mandated by law to provide care to those who need it, must cover the costs of uncompensated care in order to stay in business. They do this by raising the fees they charge those who can pay for health care. These higher fees are passed on to health insurers and third party payers, who in turn must pass these costs on to consumers in the form of higher premiums. Thus, it is those who are covered for health benefits who indirectly pay the health care costs for those that are uninsured. This problem is further compounded by recent reductions in government health care programs designed to reduce the uninsured and assist low-income families, which also contributes to the amount of uncompensated care.

The Utah Insurance Department's Think Tank

The Utah Insurance Department's Think Tank has been studying the problem. The DOI Think Tank includes representatives from government, employers, health insurers, and health care providers. The Think Tank has been approaching the problem of the uninsured in Utah from two basic premises: First, to avoid significant disruption, any solution must work within the existing employer-based system in Utah. Second, the cost of covering the uninsured should be shared as equally as possible among those receiving care. JPO question – should not those who are healthy (i.e., not receiving care) also share in the cost of the uninsured? What I mean is, you have referenced "those receiving care" which sounds like a provider tax.

Working Within the Current System: Employer-based Health Insurance in Utah

Most Utah residents receive their health insurance through their employer, either through a group health insurance plan purchased from a commercial health insurer or through a self-funded health benefit plan (Office of Public Health Assessment, 2001). National employer surveys suggest that, among employers who provide health insurance benefits, approximately 50 percent of employers purchase commercial health plans and approximately 50 percent of employers self-fund (Kaiser/HRET, 2002). However, data suggest that in Utah, about 2/3 of all employees who have employer provided health benefits are covered through self-funded plans.

Employer size is strongly correlated to whether employers offer health benefits. Nationally, nearly 99 percent of large employers (200+ employees) provide health benefits, while only 61 percent of small employers (3-199 employees) do (Kaiser/HRET, 2002). In Utah, nearly 98 percent of large employers (50+ employees) provide health benefits, while only 38 percent of small employers (2-49 employees) do (Agency for Health Research and Quality, 2000). Small employers are the least likely to provide benefits and recent declines in the employer health benefits coverage appear to occurring among small employers (Kaiser/HRET, 2002).

Various studies of the uninsured in Utah suggest that more than two-thirds are employed, with roughly half employed full time. Although most of the uninsured are employed, most are not offered health benefits through their employer (Dan Jones & Associates, 2001; Office of Public Health Assessment, 2001). Suggest the Department also reference the Dan Jones study performed for UHIA and UAHU.

This suggests that under Utah's current system of employer based health benefits most of the uninsured could be covered if an incentive could be created for all employers in Utah to offer health benefits. Given the fact that the largest gaps in employer coverage appear to be among small employers, any incentive should be particularly targeted towards small employers.

Think Tank Proposal : "Pay or Play"

In its current form, the Think Tank's proposal seeks to reduce the number of uninsured by increasing the number of employers who provide health benefits. Under this proposal, employers would be given the option of either providing a basic health insurance plan to their employees or to pay a minimum healthcare tax that would be used to fund health insurance programs for the uninsured. In addition, the Insurance Department would work with health insurers to offer a new basic health benefit plan specifically targeted at small employers. This new basic benefit plan would be exempt from most state mandates and from the 25 percent surcharge that health insurers are currently allowed to charge employers who change carriers during the contract period. (JPO question – is the Department saying here that small employers who currently have coverage could avoid the surcharge by dropping benefits and then opting for the new basic program?) This would make it more affordable for small employers, for whom cost is more of an issue, to offer basic health insurance to their employees.

A version of this approach is currently being considered in many states, including Oregon, Hawaii, and California. The Think Tank's proposal has support among many segments of Utah's health care system, including industry organizations like UHIA, UHA, and UAHU; government agencies such as the Utah Health Department; as well as many health insurers and health care providers such as IHC, Regence BCBS, United Healthcare, and Altius.

The advantages of this approach include: (everything in this section references employees – do we not want to include dependents too?)

- Creates an incentive to employers to cover their employees, while also providing funding for programs that provide services to the uninsured (such as CHIP, HIP, PCN.)
- Reduces dependence on government programs and shifts more of the governments role towards covering gaps in coverage for the poor
- Providers get reimbursed for more services because more employees are covered.
- Creates no additional taxes for most employers as most employees have health benefits and would not be taxed
- The proposal uses wage and tax statements currently in use, is simple to calculate, and easy to understand
- Attaches a higher proportion of the cost of the uninsured on those employers who do not cover their employees (but benefit from the uncompensated care provided to their employees).
- Levels the cost of doing business among employers and reduces the competitive advantage of not providing coverage
- Can be phased in as slowly or as quickly as the legislature decides by adjusting the level of the tax
- Reduces Medicaid, CHIP, HIP, and PCN members as more employers offer coverage
- (duplicated above)May reduce costs to employers who currently provide coverage by reducing the contract size of their employees (e.g., spouses get their own plans).
- More children and families will get health benefits, allowing them to get preventive services (assumption is obviously made here that the basic plan would cover preventative services) and treatment for conditions that they currently ignore

The disadvantages of this approach:

- It requires an additional tax, with all of the political penalties associated with a new tax.

- Employers with many young or part-time works will pay some tax for employees who are already covered. This would particularly affect service industries that rely on these types of employees.

Regarding the concern about a new tax.

- Auto insurance is mandated for all to protect both individuals and society, while preserving choice and a free market. It's time to look at health benefits the way we look at auto insurance, universal coverage to protect both individuals and society from the risk of loss.
- Society already pays for the uninsured indirectly because of uncompensated care and lower quality of life for a key segment of society. This proposal would spread more of the cost among all of those in society who benefit from care, and not just those who currently pay for benefits.

The department would like to offer a version of this proposal to the interim legislature this summer.

References:

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